

Message Text

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SUBJECT: ICELANDIC POLITICAL SITUATION-STILL WITHOUT A NEW GOVT

1. SUMMARY: GUESSING GAME CONTINUES ON FORMATION OF
NEW GOVT BUT CONSENSUS REMAINS THAT AN EARLY AGREEMENT
IS NOT IN SIGHT. THOSE WHO FEEL THE TREND IS TO THE
LEFT (AND PRESENTLY THEY ARE IN THE MAJORITY) CAN CITE
SIGN TO THIS EFFECT. VIEWS OF THE FOREIGN AFFAIRS
EDITORS OF INDEPENDENCE PARTY (IP) DAILIES
MORGUNBLADID AND VISIR (WHO ALSO SERVE AS FOREIGN
AFFAIRS ADVISORS TO IP), HOWEVER, ARE THAT SITUATION
TOO CONFUSED TO MAKE ANY ACCURATE PREDICTIONS, BUT THAT
THE LONGER IT TAKES TO FORM A NEW GOVT, THE MORE LIKELY
IT WILL BE A COALITION OF IP, THE PROGRESSIVES (PP),

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AND THE SOCIAL DEMOCRATS (SDP), THEY ADD, HOWEVER, THAT

IT WILL BREAK APART BY NEXT SPRING BECAUSE OF THE TRADITIONAL DIFFERENCES BETWEEN THE TWO LARGER PARTIES. THEY PREDICT NEW ELECTIONS NEXT YEAR. WITH REGARD TO THE BASE RETENTION ISSUE, THEY FORESEE AN INDEFINITE POSTPONEMENT OF DECISION WHATEVER GOVT IS FORMED, BUT (A) THAT USG WILL STILL BE REQUIRED TO RESPOND TO THE APRIL GOI PROPOSALS BECAUSE EACH PARTY WILL WANT TO USE USG VIEWS FOR ITS OWN POLITICAL PURPOSES AND (B) THAT USG WILL HAVE TO CONTINUE SOME SORT OF TALKS IN INTERIM. END SUMMARY.

2. THE ABOVE IS A SUMMARY OF OVER AN HOUR'S PRIVATE CONVERSATION I HAD YESTERDAY WITH STYMIR GUNNARSSON (MORGUNBLADID) AND BJORN BJARNASON (VISAR) WHILE EN ROUTE TO KEFLAVIK WHERE THEY RECEIVED AN UP TO DATE BRIEFING BY COMICEDEFOR ON IDF OPERATIONS. THEIR VIEWS WERE, OF COURSE, PREFACED BY THE USUAL CAVEATS: "NO ONE REALLY KNOWS WHAT IS HAPPENING; ALL POLITICAL PARTIES HAVE THEIR INTERNAL CONTRADICTIONS; ICELAND POLITICS ARE CHARACTERIZED BY THE ILLOGIC," ETC. BECAUSE OF THEIR STRONG IP PARTISANSHIP, ONE MUST ALSO ADD SOME DEGREE OF "WISHFUL THINKING" ON THEIR PART. GUNNARSSON DID MOST OF THE TALKING FOR THE BOTH OF THEM. THEY DRAW THEIR CONCLUSION OF AN IP-PP-SDP COALITION FROM THE FOLLOWING RECENT CONVERSATIONS GUNNARSSON HAD WITH BJORN JONSSON (HEAD OF LABOR FEDERATION AND FORMER OLL MINISTER WHO BOLTED TO SDP BEFORE THE ELECTIONS).

3. JONSSON IS REPORTED TO HAVE TOLD GUNNARSSON A FEW DAYS AGO THAT MANY SOCIAL DEMOCRATS WHO A WEEK AGO WERE EAGER TO BECOME PART OF A LEFTIST PP-PA-SDP GOVT ARE NOW HAVING SECOND THOUGHTS. THEY ARE BEGINNING TO SEE A PLOT HATCHED BETWEEN PP AND PA TO SQUEEZE THE SDP AND THE OLL INTO EVENTUAL EXTINCTION, THEREBY BRINGING ABOUT ONLY 3 POLITICAL PARTIES IN ICELAND (PP, PA, IP) IN WHICH PP AND PA TOGETHER WILL ALWAYS DOMINATE. JONSSON, WHO A COUPLE OF WEEKS AGO STATED PUBLICLY THAT SDP SHOULD NOT JOIN IN ANY GOVT AND IN NO CASE IN IP GOVT, REPORTEDLY TOLD GUNNARSSON HE HAS NOW CHANGED HIS MIND AND FEELS THE SDP NEEDS THE SHELTER OF THE IP IN LIMITED OFFICIAL USE

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ORDER TO SURVIVE AS A PARTY. HE IS REPORTED TO BE URGING SDP MEMBERS TO JOIN THE IP IN A COALITION AGAINST THE PP AND PA.

4. KARVEL PALMASON (ONE OF TWO OLL PARLIAMENTARY MEMBERS) REPUTEDLY TOLD JONSSON, WHO REPORTED THIS TO GUNNARSSON, THAT AT APPROPRIATE TIME HE WILL LEAVE THE OLL AND JOIN THE SDP. MAGNUS TORFI OLAFSSON, THE

CHAIRMAN OF OLL WHO IS ALSO THE OTHER OLL PARLIAMENTARY MEMBER IS STILL ADAMANT THAT HE WILL NOT JOIN ANY GOVT THAT CONTAINS IP. THE OLL RANK AND FILE SEEM TO BE SPLITTING, WITH SOME DECIDING TO JOIN SDP AND OTHERS THE PA. OLAFSSON MAY FIND HIMSELF A MEMBER OF PARLIAMENT WITHOUT A PARTY.

5. PA CHAIRMAN RAGNAR ARNALDS TOLD GUNNARSSON THAT PA WAS BADLY SPLIT ON THE DEFENSE ISSUE AND THAT AS OF LAST WEEK THE MAJORITY STILL FAVORED NO COMPROMISE. GUNNARSSON FEELS THAT IF THESE VIEWS CONTINUE, THE SDP WOULD FIND IT DIFFICULT TO ENTER A PP-PA COALITION. NOT PARTICULARLY SURPRISING, MAGNUS KJARTANSSON IS REPORTED TO HAVE DONE AN ABOUT FACE ON THE DEFENSE ISSUE AND HAS CALLED FOR A COMPROMISE IN THE FORM OF A TEMPORARY POST-PONEMENT IN COMING TO GRIPS WITH IT. LUDVIK JOSEFSSON IS REPORTED AS SAYING HE PERSONALLY DOES NOT WANT TO PARTICIPATE IN ANY COALITION BECAUSE HE DOES NOT WANT TO BE ASSOCIATED WITH THE HARSH ECONOMIC MEASURES THAT ALL SEEM TO AGREE MUST BE INITIATED TO ALLEVIATE ICELAND'S ECONOMIC CRISIS.

6. GUNNARSSON CONCLUDES BY ALL OF THIS THAT THE PP WILL FIND ATTEMPTS TO FORM A PP-PA-SDP GOVT HOPELESS AND IN ORDER NOT TO BE LEFT OUT IN THE COLD FOR ANOTHER DOZEN YEARS (AS HAPPENED BETWEEN 1959 AND 71) AND IN ORDER TO AVOID ANOTHER ELECTION THIS FALL, WILL AGREE TO ALIGN WITH THE IP. BJORN BJARNASON, WHILE AGREEING WITH ULTIMATE CONCLUSION "BECAUSE IT WOULD SEEM TO MAKE SENSE," NEVERTHELESS CAUTIONED THAT THERE WILL BE DIFFICULTIES AND ANXIOUS MOMENTS BEFORE IT COMES ABOUT. A LEFTIST GOVT HAS NEVER SUCCEEDED ITSELF IN HISTORY OF ICELAND. THE RECENT ELECTION IS THE CLOSEST THEY HAVE COME TO LIMITED OFFICIAL USE

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REVERSE PRECEDENT. HE PREDICTS PP AND PA WILL GO TO ALL LENGTHS TO WIN OVER THE SDP, BUT AGREES THAT THE LONGER IT TAKES, THE LESS LIKELIHOOD SDP WILL JOIN IN A LEFTIST COALITION.

7. COMMENT: THE VIEWS EXPRESSED HERE BY GUNNARSSON AND BJARNASON SHOULD BE GIVEN NO MORE OR NO LESS WEIGHT THAN VIEWS OF OTHERS REGARDING FORMATION OF NEW GOVT. THE SAFEST STATEMENT ANYONE CAN MAKE AT THIS TIME IS THAT ANYTHING CAN HAPPEN. I DO AGREE WITH THEIR COMMENTS REGARDING THE IDF. AGREEMENT AND COMPROMISE ON THE DEFENSE ISSUE WILL LARGELY DETERMINE WHAT PARTIES WILL COMPOSE THE GOVERNING COALITION. THE USG REPLY TO THE GOI PROPOSALS OF APRIL COULD WELL INFLUENCE SUBSEQUENT ACTION ON THE DEFENSE ISSUE. MY VIEWS ON USG REPLY,

TAKING INTO ACCOUNT THE LOCAL POLITICAL SITUATION,
WILL BE TRANSMITTED TO DEPT SOON.
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